Solution 1.1

a)

The objectives of the IASB are:

- to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in the financial statements to help participants in the various capital markets of the world and other users of the information to make economic decisions
- to promote the use and rigorous application of those standards
- to work actively with national standard setters to bring about convergence of national accounting standards and International Financial Reporting Standards to high quality solutions.

b)

The IASB consists of fourteen individuals and has sole responsibility for setting accounting standards. The foremost qualification for IASB membership is technical expertise. The constitution requires the membership to comprise *at least*:

- five practicing auditors
- three preparers of financial statements
- three users of financial statements
- one academic

The publication of a Standard or Exposure Draft requires approval by eight of the IASB's fourteen members

c)

International Financial Reporting Standards are developed through a formal system of due process and broad international consultation that involves accountants, financial analysts and other users of financial statements, the business community, stock exchanges, regulatory and legal authorities and academics.

The formal due process usually involves the following steps:

- IASB staff review all the issues associated with the topic and consider the application of the IASB Framework to the issues
- Study of national accounting requirements
- Consulting the IASB Standards Advisory Council (SAC) about the advisability of adding the topic to the IASB's agenda
- Formation of an advisory group to give advice to the IASB on the project
- Publishing a discussion document for public comment
- Publishing an Exposure Draft and a Basis for Conclusions
- Consideration of all comments received
- Consideration of the possibility of holding a public hearing
- Approval and publishing of a Standard and a Basis for Conclusions

Solution 1.2

- Fair presentation is *achieved* by compliance with applicable IFRSs. This requires:

  - selecting and applying appropriate accounting policies
  - presenting information in a manner that provides relevant, reliable, comparable and understandable information
  - providing additional disclosures where the requirements in IFRSs are insufficient to meet users needs.

  (IAS 1, para 17)

- Inappropriate accounting treatments are not rectified either by disclosure of accounting policies used or by notes or explanatory material.

  (IAS 1, para 18)

- In the extremely rare circumstances when management concludes that compliance with a requirement in an IFRS would be misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from that requirement if the regulatory framework *requires, or otherwise does not prohibit*, such a departure:

  - that management has concluded that the financial statements fairly present the entity's financial position, financial performance and cash flows,
  - that it has complied in all material respects with applicable IFRSs except that it has departed from a standard in order to achieve a fair presentation,
  - the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be misleading in the circumstances and the treatment adopted, and
  - the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.

  (IAS 1, para 20)

- In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the Framework, but the relevant regulatory framework *prohibits departure* from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

  - the title of the IFRS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the Framework; and
  - for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation

  (IAS 1, para 23)